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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 001021

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E.O. 12958: DECL: 05/09/2018  
TAGS: [PGOV](#) [KJUS](#) [IS](#)  
SUBJECT: THE TALANSKY AFFAIR: JUST ANOTHER OLMERT  
INVESTIGATION?

Classified By: Ambassador Richard H. Jones. Reason 1.5 (B/D)

11. (C) Summary: PM Olmert held a late night press conference on May 8 to deny allegations of unlawful activity in accepting political contributions from an American fund-raiser, Morris Talansky. Allegations surfaced in the media that Olmert received illicit funds from Talansky over the course of a decade of public office prior to his premiership. Despite the media and legal pressures, we expect Olmert to continue to focus on peace negotiations with the Palestinians and the President's visit. Casting the ball into the Attorney General's court, Olmert said that if indicted he would promptly resign, but until then he would remain in office and fight to prove his innocence. An indictment of Olmert is not expected in the short term, if at all, but the lifting of the press gag order will ensure intense speculation about Olmert's viability or survivability. In the words of one pundit, "Until the charges are refuted or until there is an indictment, the road is long..." PM Olmert's major coalition partner, the Labor Party, says it is staying in government and fear of elections will remain the glue that galvanizes the coalition. Calls for Olmert's resignation, however, are widespread within the opposition, and this scandal, whether exaggerated or not, has taken whatever wind of renewal was in Olmert's sails this spring. End Summary.

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THE OLMERT FILES  
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12. (SBU) PM Olmert holds the record of "most-investigated Israeli prime minister" but it is worth noting that the past three Prime Ministers (and many ministers and MK's) have been investigated as well. The status of the cases against Olmert to date are as follows:

-- Bank Leumi Case: It is alleged that during his tenure as Finance Minister in 2005, Olmert tried to change the terms of sale for controlling shares of Bank Leumi to help several close associates. Police have since recommended closure of the investigation due to lack of evidence. The final word in this case is with the Attorney General, who has yet to pronounce his views.

-- Cronyism Case: Olmert remains under investigation for alleged cronyism in making political appointments during the period in which he served as Minister of Industry & Trade, 2003-2005.

-- Real Estate Cases: In 1996 and again in 2004, Olmert bought and sold several pieces of prime real estate in Jerusalem and Tel Aviv at below-market prices from associates, giving rise to suspicions that he was receiving and paying bribes. These transactions were the subject of separate inquiries, one of which is ongoing, one of which was closed, and another has not been pursued.

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13. (SBU) The latest allegations against PM Olmert suggest that while serving as Mayor of Jerusalem from 1993 and extending to his subsequent tenure as Minister of Industry, Trade and Labor, Olmert accepted monies amounting to hundreds of thousands of dollars from American businessman Morris Talansky. It is alleged that on various visits to Israel, Talansky passed the funds in cash and checks to Olmert, his office director Shula Zaken, and associate Uri Messer, all of whom are now being investigated. Bribery is suspected according to media reports, but the police have given no indication what Olmert allegedly was offered or gave in return, nor the purpose to which the funds were put. Olmert's motives may be immaterial, however, as Israeli law does not require proof of motive to make a conviction. In his statement to the media on May 8, Olmert denied any allegation of bribe-taking or "unlawful" acceptance of monies for personal gain, and insisted the sums were accepted for his campaign funding when running for reelection as mayor and in the Likud Party primaries.

14. (SBU) According to media reports, the National Fraud Squad will question Olmert again in the coming days. Meanwhile, the Jerusalem District Court has yet to hand down its decision as to whether the Israel Police may take preliminary testimony from Morris Talansky, who is waiting in Israel for the court decision. Olmert's long-time friend and former legal partner Uri Messer has already been questioned. Shula Zaken, the PM's former office director has reportedly maintained her right to silence at every interrogation for over a year, and is under house arrest.

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15. (C) Comment: Ehud Olmert was a seasoned attorney before he entered government office. It accounts in no small measure for the style in which he has handled all of the investigations against him. Promising to step down if indicted puts tremendous pressure on the Attorney General to weigh his decisions carefully, while removing some pressure from coalition members, including the Labor Party, to act. In the past, Olmert has demonstrated remarkable resilience to the repeated onslaughts of the media and the periodic interrogations by the National Police Fraud Squad, but many well-informed Israelis see his situation as particularly dire this time. As influential Yedioth Ahronoth commentator, Nahum Barnea summed up the prevailing popular wisdom in a May 9 op-ed: "Olmert is unlikely to survive the current investigation among the public. If not because of the Talansky affair, whose real weight is a lot less than the rumors, then because of the cumulative effect of all the investigations against him." End Comment.

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JONES